



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1120 (440)

December 18, 1984

SUBJECT: Establishing Interest Rates for FmHA loans

TO: All State Directors, District Directors, County Supervisors  
and Assistant Administrator, Accounting and Director,  
Finance Office, FmHA

An inconsistency has been identified in the way FmHA establishes the interest rate for different types of loans. FmHA Instruction 1942-A provides that the interest rate for each community facility and water and waste disposal loan will be the rate in effect on the date the applicant is notified of loan approval. This should coincide with the date of obligation. FmHA regulations for farmer programs and housing loans are not specific as to when the interest rate will be established. Procedure notices communicating changes in interest rates for housing and farmer programs loans have generally indicated that loans approved before the date of the procedure notice could be closed using the interest rate in effect at the time of closing or the interest rate in effect at the time of obligation, whichever is lower.

We have been advised that there is no statutory basis for the policy of allowing a choice of the interest rate at obligation or at closing. Therefore, that practice will be terminated. All direct or insured loans closed after December 31, 1984, should bear interest at the rate in effect when the loan was obligated. The appropriate interest rate, as prescribed in FmHA Instruction 440.1, Exhibit A or Exhibit B, should be entered in block 26 of Form FmHA 1940-1, "Request for Obligation of Funds", at the time each loan is obligated.

The respective program instructions will be revised as needed to reflect this policy as other regulation changes are processed.

CHARLES W. SHUMAN  
Administrator

EXPIRATION DATE: October 31, 1985

FILING INSTRUCTIONS: Preceding  
FmHA Instruction 440.1

Sent by Electronic Mail on December 19, 84, at 12:01 pm. by DASD (IMPS), and the State Director should advise other personnel as appropriate.



Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250